

## INFORMATION PAPER

SAIE-RCI  
June 2002

SUBJECT: Army's Residential Communities Initiative (RCI) Army Family Housing (AFH) Privatization Program

1. Purpose. To provide information on the RCI Program.

2. General.

a. The Department of Defense (DoD) / Army goal is to eliminate all inadequate family housing in the United States by 2007 using a combination of: (1) traditional Military Construction (MILCON), (2) Basic Allowance for Housing (BAH) increases, and (3) privatization. In 1996, the Military Housing Privatization Initiative Act (MHPI) provided the military Services with the authorities to leverage scarce funds and assets to obtain private sector capital and expertise to operate, manage, maintain, improve and build military housing in the United States.

b. The Army's housing privatization program, known as the Residential Communities Initiative (RCI), is an essential element for solving The Army's acute family housing problem. The Army's RCI program is dedicated to building 21<sup>st</sup> Century, world-class, quality residential communities for soldiers and their families. Further, the RCI program is built on partnerships with private sector world-class developers. Our partners' expertise, experience, innovation and willingness to work collaboratively with key stakeholders are key elements to the programs success. To continue this momentum, the RCI program requires dedicated support from the Government, private industry and the Congress.

c. The Army's privatization program began with 4 projects and will expand to 28 projects by the end of fiscal year (FY) 2005. These 28 RCI projects represent over 69,000 homes, equating to close to 80% of the AFH inventory in the United States.

d. RCI Project Summary:

- Fort Carson. Includes the operation, maintenance and revitalization of 1,823 existing homes, and construction of 840 additional homes. The partner assumed operations in November 1999, and delivers 20 new / 40 renovated homes per month.

- Fort Hood. Includes the operation, maintenance and revitalization 5,622 existing homes, and construction of 290 additional homes. Transfer of assets / operations to the development partner occurred on October 1, 2001.

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- Fort Lewis. Includes the operation, maintenance and revitalization of 3,637 existing homes, and construction of 345 additional homes. Transfer of assets / operations to the partner occurred on April 1, 2002.

- Fort Meade. Includes the operation, maintenance, and revitalization of 2,862 existing homes, and construction of 308 additional homes. Transfer of assets / operations to the partner occurred on May 1, 2002.

- Southeast Projects. In October 2001, The Army issued a Request for Qualifications (RFQ) to privatize the housing at Forts Bragg, Campbell, Stewart-Hunter Army Airfield (HAAF) and Polk. There will be four separate awards that will result from this solicitation. The four projects include the operation, maintenance, renovation, and replacement of the existing inventories and construction at Fort Bragg (4,744 houses), Campbell (4,240), Stewart-HAAF (2,927) and Polk (3,648). Transfer of assets / operations to the partner for Forts Bragg, Campbell, and Stewart-HAAF is expected to occur in 2003 and Fort Polk in 2004.

- California Projects. In December 2001, The Army issued an RFQ to privatize the housing at Fort Irwin, Parks Reserve Forces Training Area, Moffett Community Housing, Presidio of Monterey (POM) and Naval Postgraduate School (NPS). There will be two separate awards that will result from this solicitation: (1) Fort Irwin, Moffett and Parks, 2,755 total houses, and (2) POM and NPS (2,268 houses). Transfer of assets / operations is expected to occur in 2003.

- Northeast Projects. In January 2002, The Army issued an RFQ to privatize the housing at Fort Hamilton, Picatinny Arsenal, Walter Reed Army Medical Center (WRAMC) and Fort Detrick. There will be four separate awards that will result from this SAIE-RCI solicitation. The four projects include the inventories at Fort Hamilton (436 houses), Picatinny Arsenal (116 houses), WRAMC (221 houses) and Fort Detrick (155 houses). Transfer of assets / operations to the development partner for these projects is expected to occur in 2003.

- Virginia Projects. In January 2002, The Army issued an RFQ to privatize the housing at Fort Belvoir, and Forts Eustis, Story and Monroe. There will be two separate awards that will result from this solicitation: (1) Fort Belvoir, and (2) Forts Eustis, Story and Monroe. The two projects include the inventories at Fort Belvoir (2,070 houses), and Forts Eustis, Story and Monroe (1,115 houses). Transfer of assets and an operation for these projects is expected to occur in 2003.

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- Hawaii. In August 2002, The Army will issue an RFQ to privatize the housing at Fort Shafter and Schofield Barracks. An RCI Industry Forum and installation site tours will be held on 28 and 29 August 02. There will be one award that will result from this solicitation, and the project will include the 8,178-house inventory. Transfer of assets / operations for this project is expected to occur in 2004.

- Forts Leonard Wood, Sam Houston and Bliss Projects. In February 2003, The Army will issue an RFQ to privatize the housing at Forts Leonard Wood, Sam Houston and Bliss. Three separate awards will result from this solicitation. The three projects include the inventories at Forts Leonard Wood (2,472 houses), Sam Houston (935 houses) and Bliss (2,763 houses). Transfer of assets / operations for Forts Leonard Wood and Sam Houston is expected to occur in 2004 and Fort Bliss in 2005.

- Fort Drum and Carlisle Projects. In April 2003, The Army will issue an RFQ to privatize the housing at Forts Drum, NY and Carlisle, PA. There will be one award that will result from this solicitation. The project includes the inventories at Fort Drum (2,272 houses) and Carlisle (316 houses). Transfer of assets/operations for Fort Drum and Carlisle is expected to occur in 2004.

- Forts Benning and Rucker, and Gordon Projects. In April 2004, The Army will issue an RFQ to privatize the housing at Forts Benning, Rucker, and Gordon. There will be three separate awards that will result from this solicitation. The three projects include the inventories at Forts Benning (4,109 houses), Rucker (1,516 houses), and Gordon (876 houses). Transfer of assets/operations for Fort Benning is expected to occur in 2005 and Forts Rucker and Gordon in 2006.

- Forts Knox, Leavenworth and Redstone Arsenal Projects. In April 2004, The Army will issue an RFQ to privatize the housing at Forts Knox (3,476 houses), Leavenworth (1,586 houses) and Redstone Arsenal (625houses). Three separate awards will result from this solicitation. Transfer of assets /operations for Fort Knox is expected to occur in 2005 and Fort Leavenworth and Redstone Arsenal in 2006.

### 3. Acquisition Process.

- a. RCI focuses on the total residential community (not just houses) and uses a Request For Qualifications (RFQ) acquisition process. The RFQ process attracts world-class developers who bring best practices / innovations to AFH privatization projects. This best value process reduces time and costs for both Army and private sector developers who participate in the RCI program. The RFQ process seeks to evaluate and award on the basis that the firm selected is the most highly qualified

(based on applied criteria) to engage in discussions with the Army to create a mutually agreed upon business plan to meet the Army's requirements.

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b. The RFQ procurement approach allows The Army to:

- ?? Provide greater flexibility in negotiating long-term partnership agreements with the private sector partner.
- ?? Maximize opportunities for interchange between developers, the local community, and the Army.
- ?? Foster innovation and creativity and provide opportunities to craft the best business and development plans.
- ?? Take greater advantage of private sector expertise and provide a mechanism for consultation with OSD and the Congress during the process.
- ?? Promote competition by lowering the entry cost for private sector offerors to submit a response.
- ?? Maximize competition because the process is acceptable to the private sector and the number of bidders continues to increase
- ?? Create large and complex real estate plans with the expertise and advice of private consultants.

c. The Fort Carson project used the RFP approach. The remaining three initial projects used a one-step RFQ process. Follow-on RCI sites will utilize a two-step RFQ process that will save money and expedite the process by announcing multiple sites.

d. Step 1, of the two-step RFQ process, determines the competitive range for a group of projects (e.g., Forts Bragg, Campbell, Stewart / Hunter Army Airfield, and Polk) using the following five evaluation factors.

- ?? 1 -- Experience
- ?? 2 -- Financial Capabilities
- ?? 3 -- Organizational Capability (Corporate)
- ?? 4 -- Past Performance
- ?? 5 -- Small Business Plan (General History)

e. Step 2 then allows those in the competitive range to propose for any or all of the projects listed in Step 1 as they are individually solicited (not grouped). Step 2 uses the following 4 factors.

- ?? 1 -- Preliminary Project Concept Statement
- ?? 2 -- Financial Return
- ?? 3 -- Organizational Capability (Installation Specific)

## ?? 4 -- Small Business Utilization Plan (Installation Specific)

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### 4. Community Development and Management Plan (CDMP).

a. Once the two-step procurement process is complete, the Army awards a contract to the selected development partner to work with the specified installation to prepare a CDMP. The CDMP serves as the business plan for each specific RCI project, and it sets forth the proposed terms of the developer's long-term relationship with the Army. The CDMP consists of three main components: (1) Development Plan, (2) Financial Plan and Transactional Instruments, and (3) Operations, Maintenance, and Property Management Plan. Benefits of the CDMP process follow.

- ?? Allows Army / developer to work through issues collaboratively, and ensures major issues are identified and addressed before execution of the plan.
- ?? Provides a forum for the Army to consider proposals from the developer concerning the use of specific privatization authorities.
- ?? Gives the Army a mechanism for periodically conferring with Congressional oversight committees during project planning, as well as with representatives from the local community and other Army and Defense Department organizations to ensure the needs of all interested parties are satisfied.

b. It is expected that the CDMP process will require approximately seven months. During the first six months, the selected developer works closely with the Army to craft a CDMP that is the business plan for the proposed RCI project. The Army staffs this plan, and then submits it to the Congress for review. If Congress does not object to the project, the Army issues a Notice to Transition and the developer is paid a fixed sum for the CDMP. In return for this payment, the Army is granted full and unlimited rights to use the CDMP. Approximately three months later, housing assets and operations are turned over by the Army to the partnership, which is typically a limited partnership or limited liability company that includes the Army and developer as limited partners / members.

5. Summary. The RCI program is a big part of The Army's plan to alleviate housing shortages and rapidly improve the condition of our existing housing. The RCI program reflects the shift in The Army's institutional philosophy toward managing installations as strategic assets. This broader vision has led us to focus on developing and managing communities and embrace comprehensive planning and execution, as opposed to

piecemeal projects. The RCI program is giving us the opportunity to provide better homes and communities to Army families much sooner than traditional methods. The RCI Program attracts world-class developers and ensures the Army receives quality business and development plans and agreements at the most economical cost to the Army and development partner.

6. For additional information on the Army's RCI Program visit the Army's RCI website ([www.rci.army.mil](http://www.rci.army.mil)) or call the RCI Program Office at 703-692-9898.